

GOVERNMENT OF THE DISTRICT OF COLUMBIA  
Office of the Inspector General

Inspector General



August 6, 2001

The Honorable Anthony A. Williams  
Mayor  
District of Columbia  
441 Fourth Street, N.W., Suite 1100 South  
Washington, D.C. 20001

The Honorable Alice M. Rivlin, Chair  
D.C. Financial Responsibility and  
Management Assistance Authority  
441 Fourth Street, N.W., Suite 570N  
Washington, D.C. Washington, D.C. 20001

The Honorable Linda W. Cropp, Chairman  
Council of the District of Columbia  
441 Fourth Street, N.W., Room 704  
Washington, D.C. 20001

Dear Mayor Williams, Dr. Rivlin, and Mrs. Cropp:

This Management Implication Report (MIR No. 01-A-03) closes out our efforts in regard to a review of management accountability for the fiscal year (FY) 1999 Comprehensive Annual Financial Report (CAFR), which we conducted as project OIG-00-2-09FL. Subsequent to the late issuance of this CAFR, you each expressed an interest in this review. Our announced objectives were to determine the following:

- Causes for delays in issuing the FY 1999 financial audit opinion.
- Solutions that can be implemented to help ensure timely future audit opinions.

Shortly after initiating the review, the various factors that caused the delay became widely known in public hearings and meetings involving the Executive Office of the Mayor, Office of the Chief Financial Officer (OCFO), Council of the District of Columbia (Council), and the D.C. Financial Responsibility and Management Assistance Authority (Authority). Each of these entities took positive steps to prevent such factors from impacting the audit opinion for the FY 2000 CAFR. Therefore, instead of further examining problems associated with the FY 1999 opinion, we decided to monitor and report on the actions that the District took to

ensure a timely audit opinion for the FY 2000 CAFR. It should be noted that the FY 2000 CAFR audit opinion was issued on time.

Listed below are highlights of the actions taken and lessons learned by cognizant District officials that should preclude recurrence of the delays experienced for FY 1999 CAFR. In addition, we describe ongoing efforts that should provide additional assurance of timely financial audit opinions.

### **Actions Taken/Lessons Learned**

- In providing oversight, the Authority established and chaired the System of Accounting and Reporting (SOAR) Steering Committee, which met monthly or more often when deemed necessary. Committee members included representatives from the Executive Office of the Mayor, the Council, the OCFO, and other key District officials. The Committee first met on May 31, 2000, and advocated the concept that the late audit opinion “was to a significant extent a symptom of deeper underlying problems, rather than an isolated incident.” The Committee, while concentrating on SOAR issues, raised for discussion and action a number of factors that affected the CAFR’s timeliness. The Mayor or the Deputy Mayor/City Administrator and the Council’s Chairman for the Committee on Finance and Revenue often attended SOAR meetings showing interest, support, concern, and constructive criticism of proposals and efforts.
- Key personnel changes have been made at the OCFO. Competent high-level financial managers are in place and committed to meeting the requirement for a timely, unqualified CAFR. The OCFO, with the concurrence of the SOAR Steering Committee, added to its in-house team of financial managers a number of “super users” with the ability, capability, and authority to assist agencies in the use of SOAR. These “super users” are also intended to decrease reliance upon the expertise of the SOAR contractor.
- The OCFO committed to better, more effective training that is evidenced by its response to our Management Alert Report (MAR) No. 00-A-13. That MAR brought to the attention of management the need for improved discipline and timeliness in SOAR-related training classes.
- SOAR has been in place and has experienced 2 years of official record closings for the CAFR. Many of the uncertainties associated with the first year of closing SOAR records are past. In this regard, SOAR was used (February 1998 – September 1998) at several pilot agencies simultaneously with the existing system of record, the Financial Management System (FMS). Only the system of record, i.e., FMS, was closed for FY 1998. In hindsight, OCFO officials believe the District should have tested SOAR’s closing process for FY 1998 in the pilot agencies so as to better design and develop a closing process for the new system of record. Consequently, the year-end closing process for FY 1999 posed greater challenges than for the

FY 2000 year-end closing. A valuable lesson for future systems development and implementation in the District is that full testing should be done before implementation.

- The OCFO now reconciles cash accounts and bank balances each month and has undertaken an aggressive action plan to reduce the number of bank accounts for both pooled cash and agency controlled cash.
- To avoid surprises and to keep current, OCFO officials have committed to monthly closings of SOAR. Accordingly, the year-end closing is less cumbersome than in the first year's closing.
- The Mayor and the Authority provided continuing oversight and assisted the OCFO in obtaining the additional resources it needed to effectively accomplish the closing for FY 2000.
- The OIG required more comprehensive written and oral status reports from the CAFR auditor for FY 2000 than had been required from the prior contractor that performed the CAFR audit for FY 1999. These requirements will apply to CAFRs conducted in subsequent years. Better and more candid communication among CAFR Oversight Committee members occurred for the FY 2000 CAFR.

### **Ongoing Efforts to Ensure Timely CAFRs in Future Years**

- The Deputy Mayor/City Administrator is implementing a District-wide tracking system to monitor the status of the implementation and resolution of audit recommendations made to District agencies by government and private auditors. This tracking is in addition to OCFO's tracking of CAFR management letter findings, concerns, and recommendations until resolved and implemented.
- The OIG is preparing a new charter for the CAFR Oversight Committee that clearly describes the responsibilities of the Committee members and the objectives of the Committee.
- The OIG is emphasizing to its staff the need for continued alertness for conditions that may negatively affect the CAFR. When such conditions and risks are detected, the OIG will notify executive District management through Management Implication Reports and Management Alert Reports, as appropriate.
- The Inspector General's testimony before the D.C. Council Committee of the Whole and the Committees on Finance and Revenue and Government Operations (February 7, 2001) illuminated continuing risks to achieving an unqualified opinion. These risks are associated with previously reported deficiencies and problems at the University of the District of Columbia and the Public Benefits Corporation. District management has taken action or has developed plans to mitigate the risks.

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- The OIG provides for follow-up reviews to determine whether District agencies were effective in eliminating the conditions shown in OIG reports.
- The OIG plans more intensive reviews of the CAFR auditor's work and progress. These reviews will include closer examination of audit work plans and audit evidence.

If you have questions or need additional information, please contact me or William J. DiVello, Assistant Inspector General for Audits, at (202) 727-2540.

Sincerely,

A handwritten signature in black ink, appearing to read "Charles C. Maddox". The signature is stylized with large, flowing letters.

Charles C. Maddox, Esq.  
Inspector General

CM/wms

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